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ABSTRACT

The decision concerning when to retire is the key decision in the retirement process. Whether the decision is incumbent upon the individual (voluntary) or the organization (mandatory), the decision has to be made. This study addresses the question of whether individuals who retire voluntarily will be more satisfied in retirement than individuals who were retired under a mandatory program. Data were gathered using a mailed questionnaire sent to retirees from seven companies in the United States and Canada. There were 1486 usable responses (a response rate of 58%), with slightly more than half, 763, indicating that they had retired voluntarily. Retirement satisfaction was measured using Smith, et al. Retirement Description Index (RDI). All four scales of the RDI, Finances, Health, People, and Activities, as well as a total satisfaction score showed significantly higher scores for the group who retired voluntarily. Explanation of the difference between the voluntary and mandatory retirees may be that voluntary retirees made more plans for retirement, had higher retirement incomes, and retired with a generally more favorable outlook toward old age and retirement. (Author)

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RETIREMENT CHOICE AND RETIREMENT SATISFACTION

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Retirement Choice and Retirement Satisfaction

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Retirement is a paradox in our society. On one hand retirement is viewed as a reward for a lifetime of productive work. It is a highly regarded period for full-time leisure activities. On the other hand, the work ethic continues to be strong in our society, making the transition from work to full-time leisure extremely difficult. Work and the fruits of labor are widely viewed as good. Laziness, handouts, and welfare are viewed as bad. Thus individuals about to retire from 40 to 45 years of work may experience a shock in the transition from being a producing member of society to drawing an income "for doing nothing" in retirement.

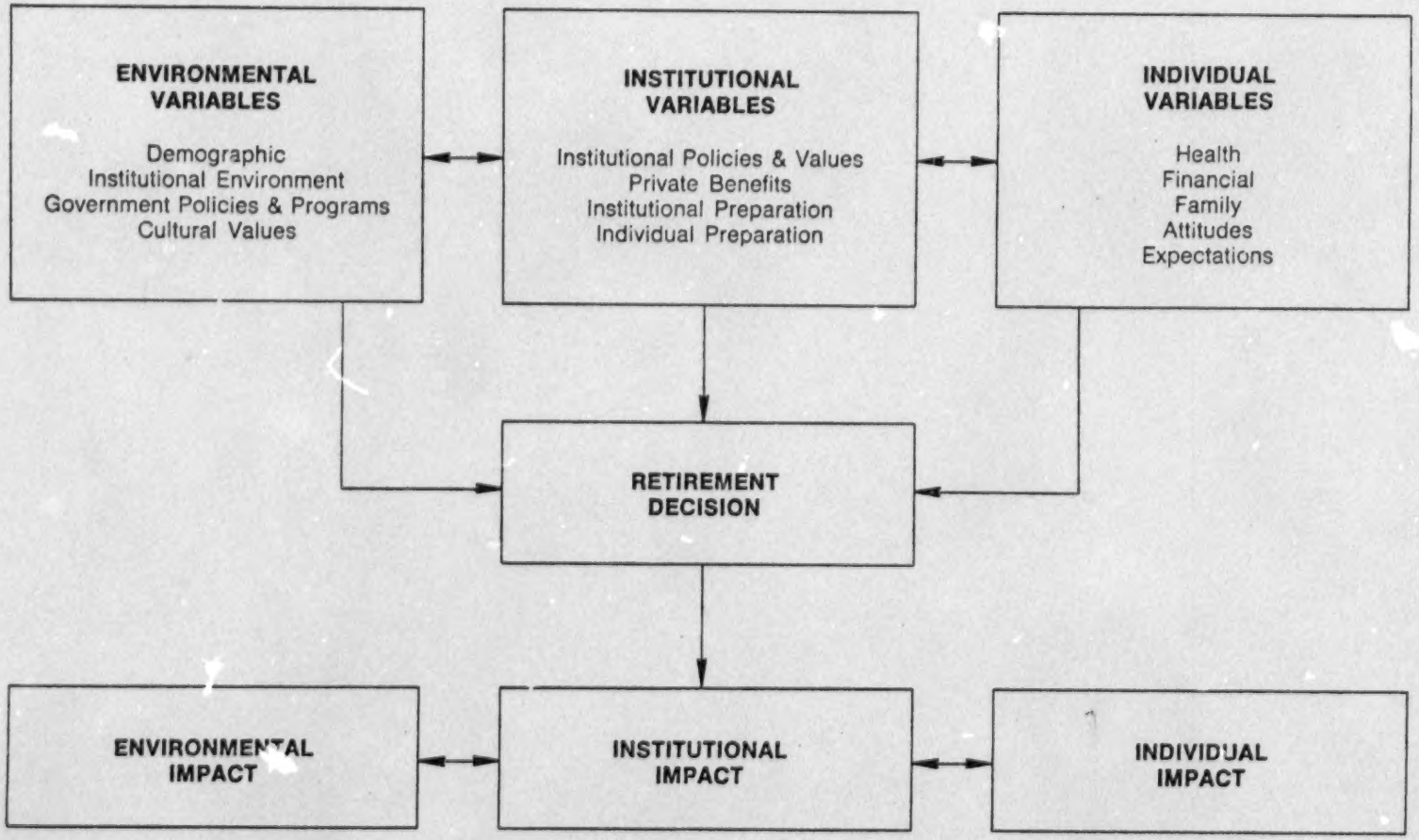
This paper will focus on the retirement decision and its relationship to satisfaction with retirement (Figure 1). Specifically, this study addresses the question of whether individuals who retire voluntarily will be more satisfied in retirement than individuals who were retired under a mandatory program.

THE RETIREMENT DECISION

If an individual is forced to retire at some age, however arbitrary that age may be, the decision is at least partially out of his control. He cannot stay beyond a mandatory retirement age, but he might still be able to choose to retire prior to that age if he is willing to settle for lower benefits. Therefore, even if there is a normal mandatory retirement age in an organization, there still may be opportunity for an individual retirement decision. Where there is early retirement or

FIGURE 1

RETIREMENT: A SYSTEMS PERSPECTIVE



flexible retirement, of course, the individual dominates the retirement decision.

The analysis of the decision to retire is the question of when to retire, and that normally is discussed in terms of age. Until recently, retirement has largely been at the discretion of the employer, with an arbitrary age set for forced retirement of all employees. If the employee left the organization before that age, he received little or no pension. He retired when and only when his employer decided that he should retire.

This pattern is changing, as employees become able to opt for early retirement, usually with reduced benefits. Employers still usually set the maximum age for employees, but are more frequently allowing employees to retire prior to the mandatory retirement age. This means the employee may now decide to retire when he feels that it is best for him.

RETIREMENT SATISFACTION

The individual's satisfaction with retirement is the manifestation of the impact on the individual of the retirement decision (Figure 1). Satisfaction may be thought of as the feeling of well being experienced by the individual, and in this study, the Retirement Description Index (RDI) developed by Smith, Kendall and Hulin (1969) was used to measure the satisfaction of retirees. The RDI is designed to measure an individual's satisfaction with the four major aspects of the retiree's life: Health, Finances, Activities, and People. A measure of total satisfaction was obtained by summing the four sub-scales of the RDI.

METHOD

The subjects in this study were recent retirees, approximately 70 % having retired within five years of the date of the study, from seven U.S. and Canadian firms. The firms provided the researchers with mailing lists of retirees and a questionnaire that included the RDI, questions concerning demographics, and questions about attitudes, was sent to all of the retirees on the lists. A total of 2563 questionnaires were mailed. There were 1486 usable responses (a response rate of 58%), with slightly more that half, 763, indicating that they had retired voluntarily.

RESULTS

To examine the major question in this study the scores on the four scales of the RDI and a total satisfaction score were compared for voluntary and mandatory retirees. The results (Table 1) show that the voluntary retirees are significantly more satisfied with retirement than their counterparts who were forced to retire. On all four scales of the RDI; Activity, Health, Finances, and People the average score for voluntary retirees is significantly higher than for mandatory retirees. The same result occurs with the total satisfaction score.

The next question of importance is, what characteristics of voluntary retirees which might explain the difference in satisfaction are different from mandatory retirees. A number of factors have been suggested that might offer some explanation of the difference (Barfield, 1970; Barfield & Morgan, 1969; Barfield, et al., 1969; Monk, 1971; Streib & Schneider, 1971; Thompson, Streib & Kosa, 1960): the retiree's occupation before retirement, the retiree's planning for retirement,

the retiree's age at retirement, the retiree's retirement income, and the retiree's attitude toward retirement.

Occupation before retirement: The distribution of occupations between voluntary and mandatory retirees (Table 2) is significantly different, with the major difference in the executive group. Seventy percent of the executives in this study retired voluntarily while in the other occupational catagories the rate was between 44% and 52%. The high percentage of executives in the voluntary retirement group also causes the average income while working to be significantly higher for that group, $25,200 for voluntary retirees compared to $19,000 for mandatory retirees. Except for the executive group there does not appear to be any significant difference in the pre-retirement occupations between voluntary and mandatory retirees.

Planning for retirement: The respondents provided data on four areas of retirement planning: Finances, Activities, Health Care, and Work (Table 3). In three of the four retirement planning areas there was a significant difference between voluntary and mandatory retirees. Only in planning for health care was there no difference. In the areas of finances and activities the voluntary retirees made more plans than did mandatory retirees. In the area of planning for work, the mandatory retirees, those who did not stop work by choice, made more plans.

Age at retirement: As would be expected, the distribution of age at retirement (Table 4) is significantly different for the two groups of retirees. The largest group of mandatory retirees, 42%, retired between the ages of 65 and 70, with age 65 predominating. This coincides with

the mandatory retirement age in most company retirement programs. On the other hand, 62% of the voluntary retirees retired between the ages of 60 and 64.9, and 85% had retired before the age of 65. Clearly, those who retired by choice retired earlier.

Retirement income: Since retirement income is positively related to income while working and negatively related to how long the person has been retired, we would expect the retirement income for voluntary retirees to be higher than for mandatory retirees (Table 5) if the years since retirement are the same. In fact while the distribution of year of retirement is slightly different, the average of just about four years is the same for both groups. Therefore a finding that the distribution shows significantly higher incomes for voluntary retirees is consistent with the higher incomes while working for that group. Since some research (Barfield & Morgan, 1969) has already indicated that income may be the most important single factor in retirement satisfaction this finding may be the most important in explaining why voluntary retirees are more satisfied.

Attitude toward retirement: An analysis of the retirees attitude toward retirement (Table 6) shows that the voluntary retirees both looked forward to retirement and would do it over again if they had the chance. This is contrasted with the mandatory retirees, 33% of whom disliked the idea of retiring and 48% of whom would have continued working rather than retiring. The voluntary retirees had a more favorable attitude toward retirement both before and after the actual act of retiring.

SUMMARY

In this study we have shown that, for the sample of people who participated in ths study, those who retired voluntarily were more satisfied with retirement than those who were forced to retire. For the voluntary retirees, the choice was theirs. They retired when they felt they were ready, both financially and emotionally. They prepared for those aspects of retirement which they felt were important and have generally been satisfied with the way those plans have worked out.

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TABLE 1

Retirement Choice and Retirement Satisfaction

Satisfaction Measures	Retirement Decision: Voluntary	Mandatory	
Activity:			
Number	695	622	
Mean	40.0	35.4	**
Standard Deviation	14.1	15.2	
Health:			
Number	695	618	
Mean	37.2	34.8	**
Standard Deviation	15.2	15.6	
Finances:			
Number	700	631	
Mean	37.6	32.7	**
Standard Deviation	14.3	14.5	
People:			
Number	692	630	
Mean	41.3	38.8	**
Standard Deviation	15.3	16.1	
Total Satisfaction:			
Number	661	564	
Mean	160.8	150.0	**
Stantard Deviation	47.1	44.6	

** Differences significant at .01 level

TABLE 2

Occupation Before Retirement

	Retirement Decision	
Occupation	Voluntary	Mandatory
Executive	91	39
Manager	383	347
Technical & Professional	78	101
Sales	42	51
Production	63	81
Clerical	103	100
Total	760	719

Chi Square 27.58 with 5 degrees of freedom
Significant at .01 level

TABLE 3

Plans for Retirement

Planning Area:	Retirement Decision: Voluntary N	Voluntary %	Mandatory N	Mandatory %	χ^2
Finances:					
Made lots of plans	292	39.0%	166	23.2%	
Made few plans	375	50.1	379	53.1	
Made no plans	81	10.8	169	23.7	
	748		714		64.90 *
Activities:					
Made lots of plans	203	27.4%	105	15.0%	
Made few plans	386	52.0	348	49.7	
Made no plans	153	20.6	247	35.3	
	742		700		54.06 *
Health Care:					
Made lots of plans	176	23.8%	154	22.0%	
Made few plans	394	53.3	361	51.6	
Made no plans	169	22.9	184	26.3	
	739		699		2.44
Work:					
Made lots of plans	80	10.8%	98	13.9%	
Made few plans	147	19.8	219	31.1	
Made no plans	515	69.4	388	55.0	
	742		705		32.92 *

* Significant at .01 level with 2 degrees of freedom

TABLE 4

Age at Retirement

	Retirement Decision				
	Voluntary		Mandatory		
Age at Retirement:	N	%	N	%	χ^2
Under 50	12	1.6%	11	1.5%	
50 - 54.9	25	3.3	49	6.8	
55 - 59.9	143	18.8	172	23.8	
60 - 64.9	470	61.7	188	26.0	
65 - 70	108	14.2	304	42.0	
Over 70	4	.5	0	0.0	
	762		724		227.77 *
Mean	60.9		61.2		
S.D.	3.8		4.5		

* Significant at .01 level with 5 degrees of freedom

TABLE 5

Retirement Income

	Retirement Decision				
	Voluntary		Mandatory		
Retirement Income:	N	%	N	%	χ^2
Under $2,500	16	2.3%	26	4.0%	
$2,501 - 5,000	92	13.4	119	18.4	
$5,001 - 7,500	83	12.0	129	19.9	
$7,501 - 10,000	98	14.2	108	16.7	
$10,001 - 12,500	63	9.1	43	6.6	
$12,501 - 15,000	66	9.6	55	8.5	
$15,001 - 17,500	30	4.4	25	3.9	
$17,501 - 20,000	66	9.6	56	8.6	
Over $20,000	175	25.4	87	13.4	
	689		648		50.70 *
Mean **	$15,923		$12,139		
S.D.	$12,282		$10,524		

* Significant at .01 level with 8 degrees of freedom

** Difference significant at .01 level

TABLE 6

Attitude Toward Retirement

	Retirement Decision				
	Voluntary		Mandatory		
Attitude:	N	%	N	%	χ^2
What were feelings toward retirement:					
Looked forward to it	543	74.7%	257	38.9%	
Indifferent to it	136	18.7	185	28.0	
Disliked idea	48	6.6	218	33.0	
	727		660		215.64 *
If you had it to do over, what would you do:					
Retire when did	601	79.6%	316	45.7	
Continue working	71	9.4	330	47.7	
Retire earlier	83	11.0	46	6.6	
	755		692		264.23 *

* Significnat at .01 level with 2 degrees of freedom